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Jamaica & Dep

HRI Food Service Sector

Hotels, Restaraunts, and Institutions Report

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Report Highlights:

Contracting economic conditions dampen expansion of HRI sector in Jamaica.

However, prospects for increased tourism indicate potential for U.S. exporters.

Includes PSD changes: No

Includes Trade Matrix: No

Annual Report

Santo Domingo [DR1], JM

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I. Market Summary

Over all, Jamaica's total consumption of food and non-food products have being declining, in real terms, due to high unemployment (which stood at 15.5% during 2000), sub-inflation wage increases and uncertainty of income flows in light of aggressive labor market contraction. During 2000, Jamaica's mean per capita consumption, at current prices, was US\$ 1,644, a marginal decline from the US\$ 1,773 mean per capita consumption expenditures during 1999.

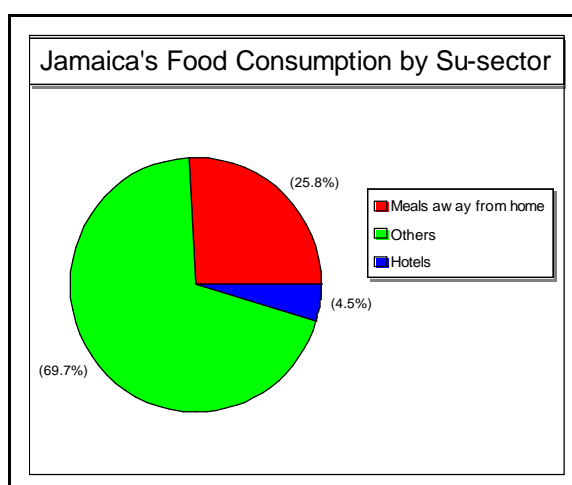
While food and beverage continues to account for the largest proportion of Jamaica's mean per capita consumption expenditure, its relative share has being consistently declining over the last five years from 54.7% during 1995 to 42.6% during 2000. Total consumption of food and beverage in Jamaica's non-tourism market segment was estimated at US\$ 1.8 billion during 2000, down from US\$ 2.2 billion and US\$ 2.4 billion during 1999 and 1998, respectively. As the Jamaican economy continues sub-optimal economic performance, the labor market remains uncertain, public expenditure is constrained by debt financing, and negative perceptions surrounding the social climate discourage foreign direct investment. Jamaica's mean per capita consumption and consumption of food and beverages are expected to remain low. Following the present consumption trend, which is expected to last for at least 3 years, Jamaica's annual consumption of food and beverages is expected to remain within the proximity of US\$ 1.7 billion.

Over the past decade, the largest proportion of food and beverage expenditure is on meals away from home, 27% during 2000, down from 31.1 % in 1999, translating into absolute values, at current prices, US\$ 491 million and US\$ 677 million, respectively. Experts interpret the decline during 2000 as a leveling off of Jamaican consumer's preference for fast food, characterizing the early stage of a mature market segment. Jamaica's total expenditure on meals away from home is therefore not expected to deviate significantly from US\$500 million in the short-term. The tendency for Jamaicans to have meals away from home is associated with the proliferation of fast food franchises in larger cities and rural towns across the country, changing lifestyles of Jamaican consumers resulting from exposure to North American culture through electronic media and travel, an increasing number of mature students and single member households and the changing demographic profile of Jamaica's employed labor force. Within the restaurant sub-sector, fast food chains are the largest growth area and will continue to provide a substantial market for food consumption.

As the goods producing sector of the Jamaican economy continues to decline, the services sector, and particularly, the tourism industry, will remain the impetus to Jamaica's economic growth. Irrespective of the fall out from the tourism sector due the September 11 terrorist attacks on the United States and the softening of the U.S. economy in 2001, Jamaica's tourism sector is expected to recover during 2002. Most hotels are operating at occupancy levels between 50 and 100% during the 2001/2002 winter season. The marketing of Jamaica's tourism products in the high-value US and UK markets during 2001 and 2002, has sparked a moderate rebound in the tourism sector and is expected to contribute to a full recovery during 2003.

Jamaica remains one of the premier destinations for U.S. tourists. During 2000, total tourist arrivals were 2.2 million persons, of which stop-over visitors were 1.3 million and cruise ship passengers 907,000. Of total tourist arrivals, U.S. visitors accounted for 71.3% followed by the United Kingdom, 10.2 % and Canada, 8.1%. Factoring the average length of stay of visitors and the average daily expenditure, it is estimated that total expenditure on food and beverages in the Jamaican tourism market (hotels and resorts) was US\$ 85 million during 2000, with an average annual growth rate of 8.4% between 1999 and 2000. This pushes aggregate consumption in the Jamaican HRI sector (excluding the institutions) to US\$ 576 million, and final consumption of food and beverages in Jamaica to US\$ 2.0 billion during 2000. The hotels and resorts sub-sector is expected to remain the fastest growth area in the Jamaican HRI sector and will continue to present increasing opportunity for food and beverage consumption.

Food consumed in public institutions (hospitals, infirmaries, schools and prisons) is mostly supplied through government contracts with domestic producers, including; the Jamaica Dairy Farmers Federation, the Beef Farmers Association and other local farming groups. Government institutions provide almost exclusive support to domestic production.



Macro economic factors that affect consumption patterns are as follows:

Unemployment and labor force demography- Jamaica's unemployment rate of 15.5% and labor market uncertainty have severely restricted per capita consumption. In particular, as the labor market continues to contract, particularly with the loss of jobs from the information technology and garment industries, a significant proportion of Jamaica's population is expected to consume more basic consumer goods. During 2002, unemployment of women in the workforce is expected to rise above the present 22.3%, due to the large percentage of young single women that are employed in the information technology industry. This could impact on the pattern of meals consumed away from home. Approximately 51% of Jamaica's employed labor force is under 34 years. This has fueled a propensity to consume meals away from home.

Declining per capita real disposable income and income disparity - Declining mean per capita income has and will continue to reduce absolute expenditures by the majority of Jamaican

consumers. On the other hand, the persistent income disparity has created a stable market segment for high end consumer ready products.

Economic contraction - From 1996 to 1999, the Jamaican economy has experienced significant annual contractions. The 0.8% growth during 2000 was interpreted as a turning point in the economy. Experts have projected relatively slow economic growth of 2-3% per year for the next three years. On going structural shift in the economy from the productive sector to the service sector will increase Jamaica's dependence on imported products.

Fiscal debt burden - Jamaica has one of the largest debt burdens in the world, with external debt of approximately 58.2% of GDP and domestic debt of US\$ 4.33 billion, pushing the country's debt to GDP ratio during 2000 to 1.15:1. The stock of domestic and external debts grew by 6.7% and 11.6% , respectively, during 2000 and the debt burden is expected to increase during 2001 and 2002. To avoid defaulting on international loans, it is widely speculated that Jamaican consumers will face additional transfer payments to the national treasury, further reducing consumers' disposable income. Debt financing which stands at 62% of the national budget, will continue to restrict public expenditure to the consumption of some of the most basic necessities.

Smaller Households - More than 42% of households in Jamaica have one or two persons. Almost half (44%) of the wealthiest 20% of the population are single member households, fueling the demand for meals away from home.

Advantages and Challenges for U.S. products in the Jamaica

Advantages

Disadvantages

U.S. visitors account for the overwhelming majority of Jamaica's annual tourist arrivals, creating demand for U.S. products (fruits and vegetables, wines, beef).

U.S. fast food franchises already dominate Jamaica's restaurant segment and continue to enter the market.

The proximity of Jamaica to the U.S., the prevalence of cable television, and travel has affected on Jamaican consumers' preferences for food and other consumer goods.

Seasonality of domestic production and inconsistent quantity and quality of local products give imported products a distinct advantage during certain periods.

The growth of the tourism industry, and the services sector in general, fuels greater demand for imported products.

Increasing direct importation by large hotel chains and fast food franchises.

Contracting economy, high unemployment, unstable labor market and the resultant declining per capita consumption will continue to reduce demand for high quality imported products.

High tariff barriers, strict sanitary / phytosanitary requirements, burdensome labeling and other standards, and strong government support for domestic agriculture have caused most fast food franchises to revert to local products - beef, fruits & vegetables, chicken and fish.

High prices for U.S. products (eg. wines and frozen french fries) have caused U.S. products to lose market share to cheaper products from Canada, Chile, Italy, New Zealand and domestic production.

Inefficient customs procedure and inadequate refrigeration facilities at the port of entry have reduced the quality of imported perishable products and increased final prices to consumers.

Green Globe Certification causes hotels to favor local food and beverages.

Advances in CARICOM negotiations will allow cheaper products (breakfast cereals, bakery products, fish and rice) from other CARICOM countries to dominate the Jamaican market.

II Road Map For Market Entry

A. Entry Strategy

The best way to enter the hotel and traditional restaurants segments of the Jamaican HRI food service sector is through an institutional type local representative. Most independent hotels

either do not import or import smaller quantities of specialty products that would not be economical for an exporter to focus on. Direct sales to local hotel chains can be successful, since in some cases the local purchasing department acts on behalf of branches in other parts of the Caribbean.

Most traditional restaurants procure a wide array of imported products from local intermediaries due to the small quantities demanded. In addition to careful pricing strategies and follow-up product support, the success of imported products in the HRI sector is highly dependent on the intermediary's knowledge of institutional distribution.

Most fast food restaurants, are involved in direct import and, as such, the best way to enter the fast food segment is direct sales. The success of U.S. products in the price sensitive Jamaican HRI market will depend largely on careful pricing strategies and follow-up product support.

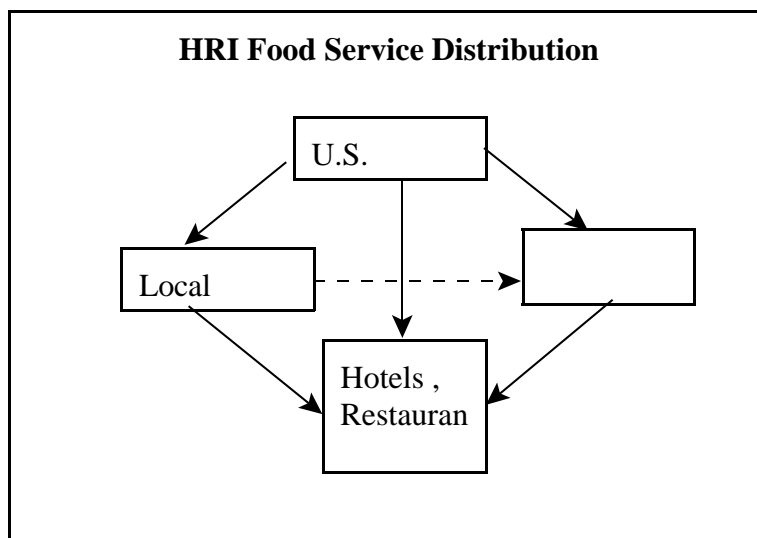
FAS / Kingston retains a list of hotels and restaurant suppliers which can be made available by email or facsimile.

B. Market Structure

The market structure of Jamaica's HRI food service sector has changed slightly over the past four years, but has remained very straight forward.

The two major changes in the structure of the HRI sector - the increasing direct importation by larger hotels and the increased propensity by some hotels to buy local products - result from two major factors:

- i. the growth in the number of all inclusive hotels, and
- ii. the introduction of Green Globe certification in the tourism market.



Since the late 1990's, all-inclusive hotels have outgrown non all-inclusives by 4.25% compared to 2.3%. The growth in the number of all-inclusive hotels has exerted pressure on the entire

hotel sector to reduce overall cost, and particularly the cost of food and beverages, to consumers. To achieve cost competitiveness, approximately 30% of the larger hotels, a few with elaborate storage facilities, have begun direct importation of consolidated containers of less perishable food products and specialty items that are not available from local intermediaries. Large chain hotels, some with a Caribbean network, import products directly through a central purchasing department. Most hotels still rely on local importers due to lack of adequate storage facilities, low quantity demanded of individual products and lack of specialized skills to effectively handle import trade.

In the Jamaican tourism industry, the highly desired Green Globe certification, an eco-tourism thrust, has been changing all aspects of hotel's operations, from architectural design to sporting activities. Under Green Globe certification, hotels are encouraged to maximize the use of local products, particularly food and beverages. Five of Jamaica's larger hotels are Green Globe certified and several others are modifying operations to fulfill certification criteria.

Local products are typically procured from large highly integrated food processing companies in the case of meat and fisheries products and frozen and canned products. Fresh fruits and vegetables are procured through agricultural marketing agencies eg. Jamaica Agricultural Society and Rural Agricultural Development Authority. Fast food restaurants acquire local products from food processors and local intermediaries.

C. Sub Sector Profile

Hotels and Resorts

Total hotel rooms during 2000 were 16,100, with all-inclusive and non all-inclusive accounting for 56% and 44%, respectively. Total room capacity is expected to expand significantly during 2003, particularly due to the planned addition of a new 360 room all-inclusive resort on Jamaica's south coast. Local hotel chains have been expanding into other Caribbean markets such as the Bahamas, Cuba, and the Eastern Caribbean. Most existing properties have reported continued renovation and expansion. Irrespective of the 3.5% decline in tourist arrivals during 2001, the tourism sector, backed by collaborative private and public sector support, is expected to remain a growth area in the Jamaican economy, presenting enormous opportunities for the consumption of high-end imported products. In addition to private investment in the tourism sector, public sector efforts to develop Jamaica's south coast into a main tourism area as a central plank in the economic development model, will greatly accelerate growth in the industry. International business and leisure travel drives overall growth in the tourism sector and food and beverage consumption.

Company profile

Name of Hotel/ Resort	Location	Number of Hotels	Total Rooms	Purchasing Agent
Jamaica Grande	Ocho Rios	1	720	Direct / Importer
Halfmoon	Montego Bay	1	419	Direct / Importer

FDR	Runaway Bay / Trelawny	2	172	Importer
Holiday Inn	Montego Bay	1	500	Importer
SuperClubs:			1,496	Direct / Importer
Grand Lido	Negril / Ocho Rios / Trelawny	3	582	N/A
Hedonism	Negril / Runaway bay	2	514	N/A
Breezes	Montego Bay / Runaway Bay	2	400	N/A
Wyndham	Montego Bay	1	487	Importer
Sandals & Beaches Resorts	Ocho Rios/ Montego Bay/	N/A	2,315	Direct / Importer
Couples Resorts	Negril / Ocho Rios	3	577	Importer

Restaurants

Company profile

Name of Restaurant	Type	Location	Number of outlets	Purchasing Agents
Wendys	Fast Food	Kingston	2	Importer
Taco Bell	Fast Food	Kingston	3	Importer
Kentucky Fried Chicken	Fast Food	Island wide	22	Direct / Importer
Pizza Hut	Fast Food	Kingston	4	Direct / Importer
McDonalds	Fast Food	Kingston/ Montego Bay / St. Catherine	11	Direct / Importer
Norma's	Traditional Family Type	Kingston	1	Direct / Importer
Rib cage	Steak House	Kingston	2	Direct / importer

Fast food restaurants are the fastest growing segment of the restaurants sub-sector and provide excellent marketing opportunities. Fast food restaurants account for an estimated 48% of total expenditure on meals away from home, amounting to US\$ 236 million during 2000. For some U.S. franchises, demand customarily exceeds supply during peak hours, limiting the availability of certain augmented services such as delivery. In Jamaica, fast food restaurants, with relatively less expensive products, provide a convenient and cost effective alternative to certain types of traditional restaurants. The concept also provides an opportunity for low to middle income consumers who desire meals away from home. As real wages continue to erode and Jamaicans continue to embrace North American culture, fast food franchises are expected to remain strong in the Jamaican food service market.

Over the last five years more than 30 restaurants have being added to the stock of fast food restaurants in Jamaica and a further 35 restaurants are projected to be added within the next two to three years, including the entry of another U.S. franchise - Churches Chicken. U.S. fast food franchises are well represented in Jamaica, including: Wendy's, Burger King, Taco Bell, Popeye's, Kenny Rogers, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, Subway and McDonald's. One of the most successful local fast food chains, Island Grill, has experienced enormous success and expansion, doubling its total outlets from 5 to 10 restaurants during 2001 and is now competing directly with the major U.S. franchises. Other local brands have recently entered the market and are capturing market share by virtue of their delivery services. Most U.S. franchises have modified their menu to meet Jamaican consumers' taste preferences.

It is the general belief by fast food operators, that, while certain segments of the market in the corporate and resort areas are maturing, there are still unserved market segments, particularly in the eastern and western provinces and certain corporate areas that are usually ignored because of social instability.

While mid-level restaurants are losing market share to fast food franchises, fine dining restaurants are thriving on the country's income disparity and the demographic profile (youthfulness) of the employed labor force. Two of Jamaica's top fine dining restaurants are expanding from the cooperate area into the western provinces.

Fast food franchises use between 10-50% U.S. products. The major local products that are used by fast food franchises are: beef, chicken, fruit juices, vegetables, eggs and pork products. The major imported products are potatoes, french fries, oil, ketchup, sauces, bakery products, chicken fillet and cheeses. High duties and questionable sanitary/phytosanitary regulations have created a preference for local meats, dairy products, fruits and vegetables and eggs in the restaurants sub-sector.

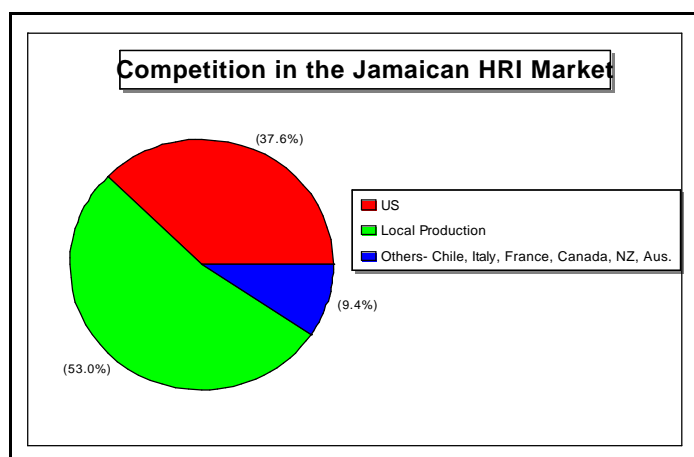
Institutions

The institutions segment for the Jamaican HRI food service sector does not present substantial opportunities for U.S. exports. The demand by institutions are generally met through a local production.

II Competition

In general, the primary competition to U.S. products in the HRI food service sector is from local production. Most hotels and fast food franchises source beef, chicken, pork, fruits and vegetables from the domestic market. However, local products could easily lose market share to their imported counterparts due to inconsistent quantity and quality. High-priced U.S. wines have captured only a very small share of the estimated US\$21 million market for wines and other alcoholic beverages in the hotels sub-sector. The major competitors to U.S. wines are Chile, Italy, France and Spain. In addition to local production, high-end U.S. beef, lamb and specialty dairy products face competition from Australia and New Zealand. Guyana is the major competitor for U.S. seafood. French fries and whole potatoes from the U.S. have been losing substantial market share to price-competitive products from Canada and the Netherlands. Most sauces, salad dressings, some fruits, vegetables, bakery products and nuts are imported from the U.S. As U.S. products become more expensive, their overall share of the Jamaican HRI food service market could decrease in the medium term. Price and quality are the main determinants of the source of a particular product.

Imported food and beverages in the hotels sub-sector varies between 40% and 60% of total food and beverage consumption, with the U.S. presently accounting for approximately 82% of total imported products. The relative size of the restaurants sub-sector and its high consumption of local products have drastically reduced the position of U.S. products in the overall HRI food service sector.



IV Best Product Prospects

A. Products present in the market with good sales potential

In the Jamaican hotel and restaurant sub-sectors, there is high demand for wines, lamb, seafood (fish, lobster, shrimp), special cut beef and veal, pork products, pasta, nuts, cheeses, french fries, potatoes, bakery

products, sauces, vegetables and fruits (apples, grapes, peach, pear, etc.). Hotels are targeting particular groups that will create seasonal demand for certain products.

Products not present in significant quantity but which have good sales potential.

All sub-sectors of the Jamaican HRI sector has excess demand for Pork products. The presence of Pseudorabies in the U.S. precludes the export of U.S. pork products to Jamaica unless they are hermetically sealed. Specialty cheeses are not available in sufficient quantities to hotels. The demand for seafood and kosher products is greater than the supply.

V. Post Contact and Further Information

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Other Sector Report

View the Jamaican Retail Food Sector Report (2002) at <http://www.fas.usda.gov>